

TOWNSHIP OF DENVER  
Isabella County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                                |  |                    |
|--|--------------------------------|--|--------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Unit Name<br>Township of Denver                  | County<br>Isabella |
| Fiscal Year End<br>March 31, 2008  | Opinion Date<br>April 25, 2008 | Date Audit Report Submitted to State<br>April 28, 2008 |                    |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

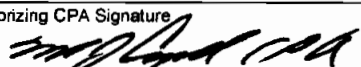
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                                     |  |                              |
|--|-------------------------------------|--|------------------------------|
| <b>We have enclosed the following:</b>   | Enclosed                            | Not Required (enter a brief justification) |                              |
| Financial Statements   | <input checked="" type="checkbox"/> |  |                              |
| The letter of Comments and Recommendations   | <input checked="" type="checkbox"/> |  |                              |
| Other (Describe)   | <input type="checkbox"/>            | N/A  |                              |
| Certified Public Accountant (Firm Name)<br>Campbell, Kusterer & Co., P.C.  |                                     | Telephone Number<br>989-894-1040           |                              |
| Street Address<br>512 N. Lincoln, Suite 100, P.O. Box 686  |                                     | City<br>Bay City                           | State<br>MI                  |
|  |                                     | Zip<br>48707                               |                              |
| Authorizing CPA Signature<br> |                                     | Printed Name<br>Mark J. Campbell           | License Number<br>1101007803 |

TOWNSHIP OF DENVER  
Isabella County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

April 25, 2008

To the Township Board  
Township of Denver  
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Denver, Isabella County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Denver's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Denver, Isabella County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF DENVER  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Denver covers the Township's financial performance during the fiscal year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$626,178.06 for governmental activities. Total revenues were \$258,683.26. The net increase in net assets was \$133,556.92.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

TOWNSHIP OF DENVER  
Isabella County, Michigan  
CONDENSED FINANCIAL INFORMATION  
For the year ended March 31, 2008

|                            | <u>Total</u><br><u>Governmental</u><br><u>Activities</u><br><u>2008</u> |
|----------------------------|---|
| Current Assets             | 588 095   |
| Capital Assets             | <u>38 083</u>   |
| Total Assets               | <u>626 178</u>  |
| Current Liabilities        | -   |
| Non-current Liabilities    | <u>-</u>  |
| Total Liabilities          | <u>-</u>  |
| Net Assets:                |   |
| Invested in Capital Assets | 38 083  |
| Unrestricted               | <u>588 095</u>  |
| Total Net Assets           | <u><u>626 178</u></u>   |

|                                       | <u>Total</u><br><u>Governmental</u><br><u>Activities</u><br><u>2008</u> |
|---------------------------------------|---|
| Program Revenues:                     |   |
| Fees and Charges for Services         | -   |
| Operating Grants and Contributions    | 123 952   |
| General Revenues:                     |   |
| Property taxes                        | 27 553  |
| Other taxes                           | 2 047   |
| State Revenue Sharing                 | 82 481  |
| Interest                              | 22 278  |
| Miscellaneous                         | <u>372</u>  |
| Total Revenues                        | <u>258 683</u>  |
| Program Expenses:                     |   |
| General Government and Administration | 75 889  |
| Public Safety                         | 27 295  |
| Public Works                          | 21 350  |
| Recreation and Culture                | <u>592</u>  |
| Total Expenses                        | <u>125 126</u>  |
| Increase in Net Assets                | 133 557   |
| Net Assets, April 1                   | <u>492 621</u>  |
| Net Assets, March 31                  | <u><u>626 178</u></u>   |

TOWNSHIP OF DENVER  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

For the fiscal year revenues were \$258,683.26, expenses were \$125,126.34 and net assets increased by \$133,556.92.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant are fire protection and highways and streets which incurred expenses of \$27,294.76 and \$20,291.94, respectively.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township had no long-term debt activity during the fiscal year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township at 8397 E. Rosebush Road, Mt. Pleasant, Michigan 48858.

TOWNSHIP OF DENVER  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| ASSETS:   |                                    |
| CURRENT ASSETS:                                 |                                    |
| Cash in bank                                    | <u>588 094 96</u>                  |
| Total Current Assets                            | <u>588 094 96</u>                  |
| NON-CURRENT ASSETS:                             |                                    |
| Capital Assets                                  | 111 644 58                         |
| Less: Accumulated Depreciation                  | <u>(73 561 48)</u>                 |
| Total Non-current Assets                        | <u>38 083 10</u>                   |
| TOTAL ASSETS                                    | <u>626 178 06</u>                  |
| LIABILITIES AND NET ASSETS:                     |                                    |
| LIABILITIES:                                    |                                    |
| CURRENT LIABILITIES                             | <u>-</u>                           |
| Total Current Liabilities                       | <u>-</u>                           |
| NON-CURRENT LIABILITIES                         | <u>-</u>                           |
| Total Non-current Liabilities                   | <u>-</u>                           |
| NET ASSETS:                                     |                                    |
| Invested in Capital Assets, Net of Related Debt | 38 083 10                          |
| Unrestricted                                    | <u>588 094 96</u>                  |
| Total Net Assets                                | <u>626 178 06</u>                  |
| TOTAL LIABILITIES AND NET ASSETS                | <u>626 178 06</u>                  |

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF DENVER  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

|                               |            | Program Revenue      |                                    | Governmental Activities           |
|-------------------------------|------------|----------------------|------------------------------------|-----------------------------------|
|                               |            |                      |                                    | Net (Expense)                     |
|                               | Expenses   | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Assets |
| FUNCTIONS/PROGRAMS            |            |                      |                                    |                                   |
| Governmental Activities:      |            |                      |                                    |                                   |
| Legislative                   | 16 150 21  | -                    | -                                  | (16 150 21)                       |
| General government            | 59 739 04  | -                    | -                                  | (59 739 04)                       |
| Public safety                 | 27 294 76  | -                    | -                                  | (27 294 76)                       |
| Public works                  | 21 349 73  | -                    | 123 952 53                         | 102 602 80                        |
| Culture and recreation        | 592 60     | -                    | -                                  | (592 60)                          |
| Total Governmental Activities | 125 126 34 | -                    | 123 952 53                         | (1 173 81)                        |
| General Revenues:             |            |                      |                                    |                                   |
| Property taxes                |            |                      |                                    | 27 553 32                         |
| Other taxes                   |            |                      |                                    | 2 046 66                          |
| State revenue sharing         |            |                      |                                    | 82 480 64                         |
| Interest                      |            |                      |                                    | 22 278 10                         |
| Miscellaneous                 |            |                      |                                    | 372 01                            |
| Total General Revenues        |            |                      |                                    | 134 730 73                        |
| Change in net assets          |            |                      |                                    | 133 556 92                        |
| Net assets, beginning of year |            |                      |                                    | 492 621 14                        |
| Net Assets, End of Year       |            |                      |                                    | 626 178 06                        |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER  
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

|                                    | <u>Governmental<br/>Activities</u> |
|------------------------------------|------------------------------------|
| <u>Assets</u>                      |                                    |
| Cash in bank                       | 587 655 36                         |
| Due from other funds               | <u>439 60</u>                      |
| Total Assets                       | <u>588 094 96</u>                  |
| <u>Liabilities and Fund Equity</u> |                                    |
| Liabilities                        | <u>-</u>                           |
| Total liabilities                  | <u>-</u>                           |
| Fund equity:                       |                                    |
| Fund balances:                     |                                    |
| Unreserved:                        |                                    |
| Undesignated                       | <u>588 094 96</u>                  |
| Total fund equity                  | <u>588 094 96</u>                  |
| Total Liabilities and Fund Equity  | <u>588 094 96</u>                  |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER  
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

|   |                    |
|---|--------------------|
| TOTAL FUND BALANCE – GOVERNMENTAL FUND  | 588 094 96         |
| Amounts reported for governmental activities in the statement of<br>net assets are different because –  |                    |
| Capital assets used in governmental activities are not financial resources and<br>therefore are not reported in the governmental funds balance sheet: |                    |
| Capital assets at cost  | 111 644 58         |
| Accumulated depreciation  | <u>(73 561 48)</u> |
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES  | <u>626 178 06</u>  |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER  
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
Year ended March 31, 2008

|                                      | <u>General</u>           |
|--------------------------------------|--------------------------|
| Revenues:                            |                          |
| Property taxes                       | 27 553 32                |
| Other taxes – swamp tax              | 2 046 66                 |
| State revenue sharing                | 82 480 64                |
| Interest                             | 22 278 10                |
| Miscellaneous                        | <u>124 324 54</u>        |
| Total revenues                       | <u>258 683 26</u>        |
| Expenditures:                        |                          |
| Legislative:                         |                          |
| Township Board                       | 16 150 21                |
| General government:                  |                          |
| Supervisor                           | 18 347 11                |
| Elections                            | 980 45                   |
| Clerk                                | 8 977 14                 |
| Board of Review                      | 1 247 20                 |
| Treasurer                            | 10 030 54                |
| Building and grounds                 | 2 648 99                 |
| Cemetery                             | 6 084 75                 |
| Unallocated                          | 5 799 00                 |
| Public safety:                       |                          |
| Fire protection                      | 27 294 76                |
| Public works:                        |                          |
| Highways and streets                 | 20 291 94                |
| Street lights                        | 905 33                   |
| Drains                               | 152 46                   |
| Culture and recreation:              |                          |
| Recreation                           | <u>592 60</u>            |
| Total expenditures                   | <u>119 502 48</u>        |
| Excess of revenues over expenditures | 139 180 78               |
| Fund balance, April 1                | <u>448 914 18</u>        |
| Fund Balances, March 31              | <u><u>588 094 96</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER  
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 139 180 78

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

|                      |            |
|----------------------|------------|
| Depreciation Expense | (5 623 86) |
| Capital Outlay       | <u>-</u>   |

|   |                   |
|---|-------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>133 556 92</u> |
|---|-------------------|

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Denver, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Denver. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Ventures

ISABELLA NORTHEAST FIRE DISTRICT

The Township is a member of the Isabella Northeast Fire District, which is a joint venture of the Townships of Denver, Isabella and Vernon, and the Village of Rosebush. Each unit appoints a representative to serve on the five-member Fire District Board along with a member selected at large. The Fire District Board is responsible for adopting the annual budget. The costs of operation of the Fire District are shared among the units based on their portion of the total State Equalized Valuation of the Fire District. Annual contributions to the Fire District are made based upon the budget. For the fiscal year ended March 31, 2008, the Township of Denver paid \$20,497.37 to the Isabella Northeast Fire District. The Fire District is required to be audited biannually and was audited as of June 30, 2007. The latest available financial data of the joint venture can be obtained directly from them.

COLEMAN FIRE DISTRICT

The Township is a member of the Coleman Fire District, which is a joint venture of the Townships of Warren, Geneva, Wise and Denver and the Village of Coleman. Each unit appoints a representative to serve on the Fire District Board. The Fire District Board is responsible for adopting the annual budget. The costs of operation of the Fire District are shared among the units based on their portion of a combination of the total State Equalized Valuation, the population, and the residency of the Fire District. For the fiscal year ended March 31, 2008, the Township of Denver paid \$6,797.39 to the Coleman Fire District. The latest available financial data of the joint venture can be obtained directly from them.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

TOWNSHIP OF DENVER  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

TOWNSHIP OF DENVER  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was .95 mills, and the taxable value was \$28,931,892.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                                       |             |
|---------------------------------------|-------------|
| Buildings, additions and improvements | 25-35 years |
| Furniture and equipment               | 5-10 years  |

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



TOWNSHIP OF DENVER  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF DENVER  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

|                | <u>Carrying<br/>Amounts</u> |
|----------------|-----------------------------|
| Total Deposits | <u>588 094 96</u>           |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

|                                | <u>Bank<br/>Balances</u> |
|--------------------------------|--------------------------|
| Insured (FDIC)                 | 243 421 30               |
| Uninsured and Uncollateralized | <u>345 097 78</u>        |
| Total Deposits                 | <u>588 519 08</u>        |

The Township of Denver did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

TOWNSHIP OF DENVER  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

|                          | <u>Balance<br/>4/1/07</u> | <u>Additions</u>  | <u>Deletions</u> | <u>Balance<br/>3/31/08</u> |
|--------------------------|---------------------------|-------------------|------------------|----------------------------|
| Land                     | 42 419 60                 | -                 | -                | 42 419 60                  |
| Buildings                | 45 881 49                 | -                 | -                | 45 881 49                  |
| Equipment                | <u>23 343 49</u>          | <u>-</u>          | <u>-</u>         | <u>23 343 49</u>           |
| Total                    | 111 644 58                | -                 | -                | 111 644 58                 |
| Accumulated Depreciation | <u>(67 937 62)</u>        | <u>(5 623 86)</u> | <u>-</u>         | <u>(73 561 48)</u>         |
| Net Capital Assets       | <u>43 706 96</u>          | <u>(5 623 86)</u> | <u>-</u>         | <u>38 083 10</u>           |

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2008, was \$8,674.85.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Denver does not issue building permits. Building permits are issued by the County of Isabella.

TOWNSHIP OF DENVER  
Isabella County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|--------------------|-------------------|-------------------|--|
| Revenues:  |                    |                   |                   |  |
| Property taxes                                       | 20 800 00          | 20 800 00         | 27 553 32         | 6 753 32   |
| Other taxes – swamp tax                              | 2 000 00           | 2 000 00          | 2 046 66          | 46 66  |
| State revenue sharing                                | 75 000 00          | 75 000 00         | 82 480 64         | 7 480 64   |
| Interest   | 10 000 00          | 10 000 00         | 22 278 10         | 12 278 10  |
| Miscellaneous  | <u>1 400 00</u>    | <u>125 352 53</u> | <u>124 324 54</u> | <u>(1 027 99)</u>                                |
| Total revenues                                       | <u>109 200 00</u>  | <u>233 152 53</u> | <u>258 683 26</u> | <u>25 530 73</u>                                 |
| Expenditures:  |                    |                   |                   |  |
| Legislative:   |                    |                   |                   |  |
| Township Board                                       | 25 500 00          | 25 500 00         | 16 150 21         | (9 349 79)                                       |
| General government:                                  |                    |                   |                   |  |
| Supervisor   | 24 500 00          | 24 500 00         | 18 347 11         | (6 152 89)                                       |
| Elections  | 5 950 00           | 5 950 00          | 980 45            | (4 969 55)                                       |
| Clerk  | 12 550 00          | 12 550 00         | 8 977 14          | (3 572 86)                                       |
| Board of Review                                      | 3 600 00           | 3 600 00          | 1 247 20          | (2 352 80)                                       |
| Treasurer  | 14 200 00          | 14 200 00         | 10 030 54         | (4 169 46)                                       |
| Building and grounds                                 | 8 100 00           | 8 100 00          | 2 648 99          | (5 451 01)                                       |
| Cemetery   | 25 900 00          | 25 900 00         | 6 084 75          | (19 815 25)                                      |
| Unallocated  | 16 300 00          | 25 019 17         | 5 799 00          | (19 220 17)                                      |
| Public safety:                                       |                    |                   |                   |  |
| Fire protection                                      | 29 000 00          | 29 000 00         | 27 294 76         | (1 705 24)                                       |
| Public works:  |                    |                   |                   |  |
| Highways and streets                                 | 278 808 23         | 394 041 59        | 20 291 94         | (373 749 65)                                     |
| Street lights  | 1 500 00           | 1 500 00          | 905 33            | (594 67)   |
| Drains   | 1 000 00           | 1 000 00          | 152 46            | (847 54)   |
| Culture and recreation:                              |                    |                   |                   |  |
| Recreation   | <u>2 000 00</u>    | <u>2 000 00</u>   | <u>592 60</u>     | <u>(1 407 40)</u>                                |
| Total expenditures                                   | <u>448 908 23</u>  | <u>572 860 76</u> | <u>119 502 48</u> | <u>(453 358 28)</u>                              |
| Excess (deficiency) of revenues<br>over expenditures | (339 708 23)       | (339 708 23)      | 139 180 78        | 478 889 01                                       |
| Fund balance, April 1                                | <u>448 908 23</u>  | <u>448 908 23</u> | <u>448 914 18</u> | <u>5 95</u>                                      |
| Fund Balance, March 31                               | <u>109 200 00</u>  | <u>109 200 00</u> | <u>588 094 96</u> | <u>478 894 96</u>                                |

TOWNSHIP OF DENVER  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

|                              |                          |
|------------------------------|--------------------------|
| Township Board:              |                          |
| Wages                        | 6 354 96                 |
| Pension                      | 8 674 85                 |
| Dues                         | 567 88                   |
| Miscellaneous                | 75 00                    |
| Payroll taxes                | <u>477 52</u>            |
|                              | <u>16 150 21</u>         |
| Supervisor – Assessor:       |                          |
| Supervisor wages             | 8 889 04                 |
| Assessor contracted services | 8 070 00                 |
| Miscellaneous                | <u>1 388 07</u>          |
|                              | <u>18 347 11</u>         |
| Elections:                   |                          |
| Wages                        | 572 00                   |
| Miscellaneous                | <u>408 45</u>            |
|                              | <u>980 45</u>            |
| Clerk:                       |                          |
| Wages                        | 8 866 68                 |
| Miscellaneous                | <u>110 46</u>            |
|                              | <u>8 977 14</u>          |
| Board of Review:             |                          |
| Wages                        | 1 146 00                 |
| Miscellaneous                | <u>101 20</u>            |
|                              | <u>1 247 20</u>          |
| Treasurer:                   |                          |
| Wages                        | 8 966 68                 |
| Miscellaneous                | <u>1 063 86</u>          |
|                              | <u>10 030 54</u>         |
| Building and grounds:        |                          |
| Utilities                    | 1 332 99                 |
| Maintenance                  | <u>1 316 00</u>          |
|                              | <u>2 648 99</u>          |
| Cemetery:                    |                          |
| Sexton                       | 821 73                   |
| Contracted services          | 4 567 24                 |
| Miscellaneous                | <u>695 78</u>            |
|                              | <u>6 084 75</u>          |
| Unallocated:                 |                          |
| Insurance                    | <u>5 799 00</u>          |
| Fire protection:             |                          |
| Contracted services          | <u>27 294 76</u>         |
| Highways and streets:        |                          |
| Repairs and maintenance      | <u>20 291 94</u>         |
| Street lights                | <u>905 33</u>            |
| Drains                       | <u>152 46</u>            |
| Recreation                   | <u>592 60</u>            |
| Total Expenditures           | <u><u>119 502 48</u></u> |

TOWNSHIP OF DENVER  
Isabella County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

|                    | <u>Balance</u><br><u>4/1/07</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Balance</u><br><u>3/31/08</u> |
|--------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| <u>Assets</u>      |                                 |                   |                   |                                  |
| Cash in Bank       | <u>-</u>                        | <u>501 552 33</u> | <u>501 112 73</u> | <u>439 60</u>                    |
| <u>Liabilities</u> |                                 |                   |                   |                                  |
| Due to other funds | -                               | 27 992 92         | 27 553 32         | 439 60                           |
| Due to others      | <u>-</u>                        | <u>473 559 41</u> | <u>473 559 41</u> | <u>-</u>                         |
| Total Liabilities  | <u>-</u>                        | <u>501 552 33</u> | <u>501 112 73</u> | <u>439 60</u>                    |

TOWNSHIP OF DENVER  
Isabella County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

|   |                      |
|---|----------------------|
| Cash in bank – beginning of year          | <u>-</u>             |
| Cash receipts:                            |                      |
| Current property tax                      | <u>501 552 33</u>    |
| Total cash receipts                       | <u>501 552 33</u>    |
| Total beginning balance and cash receipts | <u>501 552 33</u>    |
| Cash disbursements:                       |                      |
| Township General Fund                     | 27 553 32            |
| Isabella County                           | 142 816 01           |
| Chippewa River District Library           | 39 503 43            |
| Mt. Pleasant Public Schools               | 218 714 16           |
| Isabella County Transportation Commission | 26 091 42            |
| Shephard Public Schools                   | 4 055 08             |
| Coleman Community Schools                 | 41 770 47            |
| Refunds                                   | <u>608 84</u>        |
| Total cash disbursements                  | <u>501 112 73</u>    |
| Cash In Bank – End of Year                | <u><u>439 60</u></u> |

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

April 25, 2008

To the Township Board  
Township of Denver  
Isabella County, Michigan

We have audited the financial statements of the Township of Denver for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Denver in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Township Board  
Township of Denver  
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants